

**SENATE BILL 656: MAC PRICING FOR PHARMACEUTICALS**  
**Senate Reforms Restructuring & Reinventing – 11/6/13**

*Kristen Kraft, the Director of State Relations*  
*Blue Cross Blue Shield of Michigan*

Mr. Chairman and members of the Senate Reforms, Restructuring and Reinventing Committee, I appreciate the opportunity to come before you today to address a few of our remaining concerns with Senate Bill 656.

While we appreciate the efforts of the bill sponsor to make a number of meaningful improvements to the bill, Blue Cross Blue Shield of Michigan hopes to continue discussions that we believe could further help to clarify the bill relative to the acquisition of NDC pricing.

One of the outstanding concerns we have with SB 656 deals directly with a health plan's ability to secure the NDC pricing data required under the bill. Unless plans actually also operate pharmacies, they would not have access to a wholesaler's specific NDC and no means to determine whether the pharmacy could actually acquire them at that price. Generally access to wholesaler inventory and pricing is limited to their customers. The information is not readily available in databases like Medispan, which are often used by health plans in establishing MAC pricing.

MAC pricing lists are increasingly becoming the norm and are readily made available to pharmacies, which generally use them to compare reimbursement levels when deciding which health plan they ultimately choose to contract with. Under current BCBSM contract arrangements, pharmacies have the ability to amend, negotiate or reject reimbursement levels. The vast majority of PBM's operating in the state have a working process in place that allows pharmacies to

submit pricing related complaints – including MAC pricing issues related to underpayment. A resolution of pricing discrepancies is generally accomplished within 24-72 hours. In the case of BCBSM/PerformRX, over 150 pricing inquiries were made by individual pharmacies in the past month, resulting in an upward drug pricing adjustment for all pharmacies. In fact, the majority of requests adjustments made by a pharmacy, submitted using “true acquisition costs,” have been granted by PerformRx. Denials generally occur when submissions are made to use inflated invoice pricing, which does not take into account things like rebates or discounts.

MAC pricing models have resulted in proven health care savings. According to a 2012 study by the United States General Accounting Office, generic drugs have generated over \$1 trillion in savings to the U.S. health care system between 1999 and 2010, directly benefitting both consumers and employers. Roughly 85% of generic drugs are currently included on a MAC pricing list and the use of the pricing tool has increasingly been used by states to generate cost-savings; growing from 26 states in 1999, to 45 by year-end 2012.

Thank you, Mr. Chairman. We are hopeful to continue discussions with the bill sponsor and I am happy to answer questions.